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## Atlantic Canada

A profitable place  
to do business

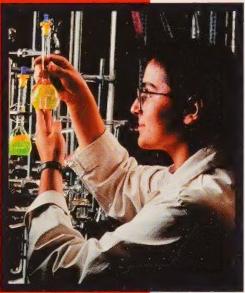
KPMG spotlights international  
competitive alternatives and  
Atlantic Canada comes up shining.



Atlantic Canada  
Opportunities  
Agency

Agence de  
promotion économique  
du Canada atlantique

Canada



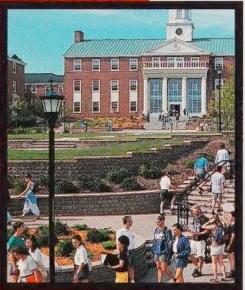
# Proof Positive: Atlantic Canada's Competitive Edge



**NEW YORK February 2002** – Cities in Atlantic Canada have significant cost advantages over cities in other G7 countries, according to the world's most comprehensive comparison of business costs.

The study, used by site selectors around the world to target cost advantages in favourable research and development (R&D) and production locations, was released in New York by KPMG, the prestigious international business consultants.

For the third consecutive edition of KPMG's "Competitive Alternatives" study – covering the G7 countries, Austria and the Netherlands – Canada won top honors. Compared to a benchmark group of U.S. cities, comparable Canadian cities had after-tax cost savings averaging 14.5%. For the Atlantic Canadian cities featured in the study (Halifax, Nova Scotia and Moncton, New Brunswick), the savings were even higher, averaging 16.2% in comparison to the benchmark U.S. cities.



The KPMG study also evaluated costs in six other Atlantic Canadian cities – Truro (Nova Scotia), Charlottetown (Prince Edward Island), Fredericton (New Brunswick), Saint John (New Brunswick), St. John's (Newfoundland & Labrador), and Sydney (Nova Scotia). All of these cities have very competitive business cost structures, similar to Halifax and Moncton, and offer similar cost savings over U.S. jurisdictions.

KPMG developed an interactive website for the study ([www.competitivealternatives.com](http://www.competitivealternatives.com)), which allows investors to make their own customized cost comparisons utilizing the 30,000 data points on which the study is based. KPMG scrutinized 12 manufacturing, R&D, software and corporate services sectors in a variety of cost categories. The potential bottom-line savings revealed in the KPMG report can be substantial.



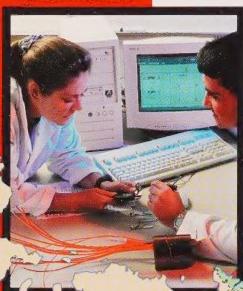
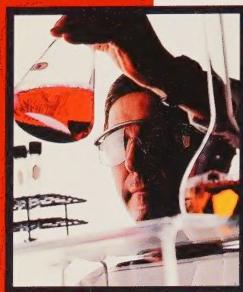
# Compare the results of Atlantic Canada to the nine countries surveyed for each of the major location-sensitive cost components

## Detailed Calculations by Cost Component

(Twelve-Industry Average, US \$'000)

Cost	Atlantic Canada	Canada	U.S.	Austria	France	Germany	Italy	Netherlands	U.K.	Japan
<b>Initial Investment Costs</b>										
Land	<b>179</b>	624	589	2,979	450	1,809	927	1,431	1,168	10,255
Buildings	<b>1,439</b>	1,444	1,768	1,955	1,673	2,431	1,156	1,506	2,206	6,016
<b>Location-sensitive Costs</b>										
Labour and Benefits	<b>3,575</b>	3,994	5,828	5,292	5,159	6,510	4,374	5,084	4,307	7,318
Lease Costs	<b>177</b>	194	307	118	128	173	114	160	239	522
Road Freight	<b>471</b>	325	393	127	228	161	166	116	165	283
Air Freight	<b>18</b>	18	16	15	15	13	14	11	16	27
Sea Freight	<b>83</b>	56	112	62	70	41	45	39	49	108
Electricity	<b>126</b>	132	194	151	142	160	241	155	153	343
Natural Gas	<b>75</b>	67	104	81	59	90	79	67	61	152
Telecommunications	<b>51</b>	49	49	87	40	28	81	46	52	138
Depreciation	<b>687</b>	687	709	721	702	753	668	691	738	992
Interest	<b>-128</b>	-93	99	84	-31	177	-73	-11	-102	319
Property Taxes	<b>58</b>	92	88	6	119	65	n/a	7	147	434
Capital	<b>37</b>	35	4	6	n/a	n/a	n/a	3	n/a	8
Sales Taxes	<b>21</b>	50	104	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Local Business Taxes	<b>9</b>	12	n/a	108	5	n/a	99	8	n/a	32
Gross Receipts Tax	n/a	n/a	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Income Taxes	<b>1,018</b>	893	448	754	767	536	1,114	848	876	166
(effective tax rate)	<b>31.1%</b>	29.4%	35.6%	34.0%	32.9%	46.9%	37.4%	33.0%	29.6%	-23.1%
<b>Total Location-sensitive Costs</b>	<b>6,278</b>	6,510	8,453	7,613	7,404	8,704	6,921	7,222	6,701	10,840
<b>Location-insensitive Costs</b>										
Materials	<b>3,550</b>	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Other Operating Expenses	<b>1,398</b>	1,398	1,398	1,398	1,398	1,398	1,398	1,398	1,398	1,398
<b>Total Location-insensitive Costs</b>	<b>4,949</b>	4,949	4,949	4,949	4,949	4,949	4,949	4,949	4,949	4,949
<b>Total Costs</b>										
Total Annual	<b>11,227</b>	11,458	13,402	12,561	12,352	13,653	11,870	12,171	11,649	15,788
\$ Advantage from U.S. Costs	<b>2,176</b>	1,944	—	841	1,050	-251	1,532	1,231	1,753	-2,386
Index (U.S.=100.0)	<b>83.8</b>	85.5	100.0	93.7	92.2	101.9	88.6	90.8	86.9	117.8
<b>National Rank</b>	1	7	6	5	8	3	4	2	9	





# Atlantic Canada: Favourable Economic Winds Bring a Change in Course

IN FEBRUARY 2002, the National Post newspaper sent a reporter from Toronto, Ontario, to Sydney, Nova Scotia, to find out whether the city was managing to survive the closure of the coal mines that had kept generations of Cape Bretoners employed. The reporter seemed pleased to report that Sydney was on the rebound: *"Thousands of new jobs have emerged, in call centres, auto parts plants, Internet consulting firms and digital animation studios – created and filled by people freed from the industrial yokes of the past."*

Cape Breton is no exception. Atlantic Canada remains a warm, traditional place, but its economy is changing radically. While forestry, agriculture, fisheries and tourism are still important industries in Atlantic Canada, the region is now using its well-educated work force to advantage in high-growth industries such as e-business, e-commerce, information technology, biotechnology and corporate services. The hard numbers in the KPMG survey reflect what many firms have already recognized. Atlantic Canada is a place to be if profits are your main motivation.

## Eight Centres that Make Atlantic Canada North America's Cost-Efficient Location\*

\*percentages in front of each city indicate  
advantage over average U.S. business costs

### **18.4% – TRURO/COLCHESTER COUNTY,**

N.S., pop. 49,307, diversified industrial base in textiles, plastics, building products, consumer products, distribution, agriculture and forestry services as well as post secondary education. Emerging enterprises include health care, commercial/corporate services and assorted light manufacturing. Overall average cost shows Truro as 7th lowest of 115 centres studied, including lowest cost ranking in corporate services and electronic systems testing. Also notable are pharmaceuticals and specialty chemicals (tied 2nd best) as well as precision components and electronics assembly (both 4th best). Major employers include Intertape Polymer (Plastic film/sheeting), Stanfield's (apparel manufacture) Crossley Carpet Mills (carpet/mats/rugs).

### **17.3% – CHARLOTTETOWN,** pop. 50,000,

capital of Prince Edward Island, specializes in agri-food products, life sciences, information technology, and the manufacture of specialty equipment. Scored the lowest

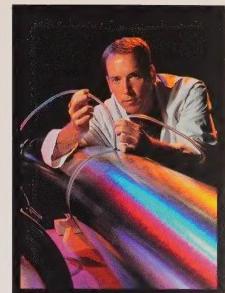
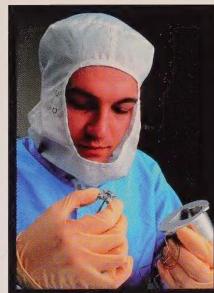


KPMG cost index in electronics assembly (83.2) and manufacture of precision components (79.1). Aerospace exports from nearby Summerside now account for 20% of P.E.I.'s exports. Charlottetown has developed significant R&D and production capacity in the nutraceuticals and animal health sectors. Some top Charlottetown firms: Diagnostic Chemicals (chemicals/plastics), Watts Communications (call centre), Biovectra (nutraceuticals), D.M.E. (precision manufacturer for the food and beverage sector).

**16.1% – HALIFAX**, pop. 335,000, capital of Nova Scotia, adding to its traditional strengths in aerospace, health/education and high tech with strong growth in biotechnology, corporate support services and software design and development. The region's largest research hub for life sciences and site of National Research Council's (NRC) Institute for Marine Biosciences. Stood first among the 86 major international centres surveyed in the main part of the KPMG report for both biomedical R&D (66.3) and electronic systems testing (60.4). Conducting these two activities in Halifax rather than the average American city means savings of more than one-third of costs. Some top firms already in place: Aliant/MTT (telecom equipment/services), MedMira (biotechnology), Convergys Customer Management Centre (shared services, call centres).

**15.8% – FREDERICTON**, pop. 80,000, capital of New Brunswick, home of the NRC's new Institute for Information Technology, located on the campus of the University of New Brunswick. The city is moving away from dependence on agriculture, equipment/machinery manufacturing and forestry/wood products with a greater focus on engineering/environmental technologies, information/communications technologies and media. Some new corporate citizens: Learnstream (Canada's New Media Company of the Year in 2001) is the largest computer-based training company in Canada, Smartforce (from Ireland) has established a large presence for online mentoring and instruction, CGI's Fredericton operations won the firm's world e-government mandate.

**15.7% – ST. JOHN'S**, pop. 175,000, capital of Newfoundland and Labrador. Growth industries include petroleum, tourism and advanced technology (engineering, environmental, information, communications and marine). Recently joined the World Energy Cities Partnership; major service hub for local petroleum industry, with two significant offshore oilfields now in production, Hibernia and Terra Nova. Some major firms: xwave (full-service IT solutions), Convergys Corporation (shared services/call centres) and CHC Helicopter Corporation (international helicopter transportation services). Home to world class research facilities, including the Canadian Centre for Marine Communications, NRC's Institute for Marine Dynamics and



C-CORE, which develops innovative technologies for natural resource industries.

**15.7% – SAINT JOHN**, N.B., pop. 125,000, has always been strong in shipbuilding, metal manufacturing and pulp and paper products, now expanding into specialty chemicals/plastics, information/communications technology, and petrochemicals. Innovatia Inc., headquartered in Saint John, has a major contract with Nortel Networks to provide all the software training and documentation for its digital switching board hardware products. Leading firms: Irving Oil (largest petrochemical refinery in Canada); and Xerox (commercial/business services). The University of New Brunswick in Saint John's Electronic Commerce Centre develops research projects in partnership with the public, private and academic communities.

**15.5% – SYDNEY**, N.S., pop. 115,000, with traditional strengths in health/education, tourism and business/personal services, moving into engineering/environmental technologies, information/communications technologies, and shared services/call centres. Home to Nova Scotia's second largest concentration of information technology companies. Businesses already established: EDS Canada Inc. (shared services/call centres), Precision Fine Blank Components/Magna (automotive).

**15.4% – MONCTON**, N.B., pop. 115,000, moving beyond its traditional strengths in metal manufacturing, telecom equipment/services and transportation services into high tech manufacturing, information/communications technology and shared services/call centres. Strong bilingual capacity (French and English). Largest regional air freight carrier in Atlantic Canada. Sixth overall among 86 major international centres surveyed by KPMG in the biomedical R&D (69.3) and electronic systems testing (64.3) categories. Some leading firms: Atlantic Blue Cross Care (insurance/financial services), Royal Direct/Royal Bank of Canada (shared services/call centres), Rogers Communications (telecom).

# Listen to the People who have Invested in Us!

“Many factors led Kanalflakt to New Brunswick, among them is the availability of a highly skilled and motivated labour force, and the government's business-oriented approach.”

**Gerald Engström**, managing director of Kanalflakt Group, an environmental products company that has established a 130,000 sq.ft. plant in Bouctouche, N.B., complete with state-of-the-art R&D facilities.

“We chose Nova Scotia for our commercial plant operation because of its qualified and trained work force, as well as its proximity to the U.S.”

**David P. Southwell**, VP of Sepracor Inc., a Massachusetts research-based pharmaceuticals company that has built a plant in Windsor, N.S., near Halifax.

“We're extremely pleased with the business resources Cape Breton has to offer, and especially with the calibre of the work force. The results from our new Sydney Customer Interaction Centre have far exceeded our expectations.”

**David Carrigan**, EDS Canada's VP for the Atlantic Region, headquartered in Sydney, N.S.

“People are often surprised to know that there is a company of BioVectra's calibre in such a small place! It points to the concentration of talent that is available to us in this area. In the end, it's the quality of your people and their skills that make you successful. P.E.I. is ideal for this – we have excellent educational and research institutions and prominent scientists close by.”

**Dr. Tony Lucas**, CEO of BioVectra dcl, producing biochemical and protein engineering products and services world wide from its Charlottetown, P.E.I., headquarters.

“INSTRUMAR's business could be located anywhere. We chose Newfoundland and Labrador because it provides great potential for a loyal and committed work force that has been trained in excellent local educational institutes. St. John's offers opportunities for growth on a global scale, in a unique, community-like atmosphere.”

**Dr. Stuart Inkpen**, whose firm Instrumar chose St. John's, Newfoundland and Labrador, to supply the world with integrated systems to control process critical parameters.

## A Dynamic New Tool for International Site Selection



KPMG handed international investment analysts a dazzling new tool in early 2002. The well-known global consultants released a million-dollar report that scrutinizes the costs involved in establishing and operating SMEs in major industrialized countries. Analysts and investors have already begun using the findings to their advantage.

The Competitive Alternatives: Comparing Business Costs in North America, Europe and Japan, is the only analytical tool that allows comparisons of documented after-tax costs, based on 30,000 data points. KPMG's comparisons are based on an exhaustive study of business costs in 115 locations in nine major countries – including all the leading North American production locations. An integrated, user-friendly website provides analysts and investors with the ability to examine business costs across several sectors

in the United States, Canada, the United Kingdom, Germany, France, Netherlands, Italy, Austria and Japan. It also provides regional North American comparisons. Site selectors can check out cost differentials between Atlantic Canada and the U.S. East Coast.

Just go to [www.competitivealternatives.com](http://www.competitivealternatives.com) – punch in the numbers, use your own criteria, make your comparisons, and pick potential spots to locate or expand.

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All of KPMG's results are sensitive to exchange rates. The exchange rate used for Canada and the U.S., for instance, was C\$1.546 = US\$1. Compared to regional U.S. counterparts, costs in Canadian cities are generally 10 to 20 percent lower, and even when applying a hypothetical 20 percent increase in the value of the Canadian dollar, Canada's cost advantage exceeds 5 percent over the U.S. centres.

# Hard Facts That Tell Atlantic Canada's Winning Story

Why are Atlantic Canadians so anxious to point investors to this study? *For obvious reasons.* The report offers clear evidence of significant Canadian cost advantages in many sectors, particularly in Atlantic Canada.

The KPMG business model is weighted to reflect the significance of each cost item during the establishment, start-up and full operational phases that a typical company undergoes during its first 10 years. The model generates ten-year pro-forma reports – including income and cash-flow

statements – using standard financial assumptions. KPMG used U.S. Costs=100 as its baseline. Atlantic Canada's costs index comes out ahead of every one of the nine national indices in the following categories: Electronics Assembly, Precision Components, Pharmaceuticals, Specialty Chemicals, Biomedical R&D, Electronics Systems Testing, Advanced Software Manufacturing, Software Development, and Corporate Services.

## BUSINESS COST INDEX RATINGS (U.S. = 100.0)

Industry	Atlantic Canada	Canada	U.S.	Austria	France	Germany	Italy	Netherlands	U.K.	Japan
<b>Manufacturing</b>										
Metal Components	<b>88.9</b>	88.9	100.0	91.1	91.3	101.3	87.4	89.0	86.6	122.0
Plastic Products	<b>90.5</b>	89.0	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
Food Processing	<b>93.5</b>	92.5	100.0	93.4	94.4	99.5	91.3	92.1	90.9	109.6
Electronics Assembly	<b>86.7</b>	89.4	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
Precision Components	<b>82.7</b>	86.0	100.0	91.2	89.8	102.7	83.9	87.5	83.9	117.5
Pharmaceuticals	<b>89.1</b>	90.9	100.0	95.4	95.3	103.2	91.9	94.4	90.7	115.0
Specialty Chemicals	<b>87.2</b>	89.6	100.0	95.2	95.5	103.2	92.6	95.3	92.4	111.4
<b>R&amp;D</b>										
Biomedical R & D	<b>66.8</b>	72.2	100.0	84.1	82.0	97.8	80.4	82.0	78.7	124.5
Electrical System Testing	<b>61.3</b>	66.9	100.0	81.4	75.2	88.8	74.3	74.8	71.0	114.3
<b>Software</b>										
Advanced Software	<b>77.1</b>	77.8	100.0	93.9	91.5	99.6	89.1	90.1	82.0	108.8
Content Development	<b>75.8</b>	77.6	100.0	96.6	87.1	97.1	85.4	87.6	80.7	115.6
<b>Corporate Services</b>										
Shared Services	<b>73.9</b>	80.3	100.0	111.8	104.2	123.4	91.6	100.9	90.0	154.2
<b>Overall Average</b>	<b>83.8</b>	<b>85.5</b>	<b>100.0</b>	<b>93.7</b>	<b>92.2</b>	<b>101.9</b>	<b>88.6</b>	<b>90.8</b>	<b>86.9</b>	<b>117.8</b>

\*Totals in the Atlantic Canada column represent an eight-city average.

## NATIONAL RANKINGS

% Savings for Atlantic Canada as a Region over #1 Country in Each Industry

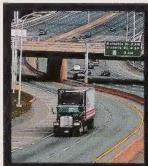
Industry	Atlantic Canada	Canada	U.S.	Austria	France	Germany	Italy	Netherlands	U.K.	Japan
Metal Components	-2.6	3	7	5	6	8	2	4	1	9
Plastic Products	-4.5	4	7	5	6	8	2	3	1	9
Food Processing	-2.8	4	8	5	6	7	2	3	1	9
Electronics Assembly	3.1	1	7	6	5	8	3	4	2	9
Precision Components	1.5	3	7	6	5	8	2	4	1	9
Pharmaceuticals	1.8	2	7	6	5	8	3	4	1	9
Specialty Chemicals	2.8	1	7	4	6	8	3	5	2	9
Biochemical R&D	8.1	1	8	6	5	7	3	4	2	9
Electrical System Testing	9.1	1	8	6	5	7	3	4	2	9
Advanced Software	0.9	1	8	6	5	7	3	4	2	9
Content Development	2.4	1	8	6	4	7	3	5	2	9
Shared Services	8.7	1	4	7	6	8	3	5	2	9

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# There are Some Compelling Reasons for Investing in Atlantic Canada Beyond the KPMG Numbers

## Atlantic Canada Features:

- The highest per-capita expenditure on education in the G-7
- An extremely low employee turnover rate (10-year average employee tenure)
- Medical benefits savings for employers under Canada's national health plan
- Competitive, reliable and plentiful energy supply (gas, oil and electricity)
- The 2nd-lowest average corporate taxes in the G-7 (6.5% lower than the U.S.)
- The closest ports to Europe on the North American seaboard
- World-class high-speed digital telecommunications network
- A low rate of litigation – tort rates less than half the U.S. rate
- Among the best quality of life in North America
- More universities and colleges per capita than any other region in Canada as well as more university students per capita than any other region in Canada.



The Atlantic Canada Opportunities Agency (ACOA) is the Government of Canada department expressly responsible for helping to build economic capacity in the Atlantic provinces. For more information on investment opportunities in Atlantic Canada, please contact the ACOA Trade and Investment Unit at:

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[www.success.nfld.net](http://www.success.nfld.net)

**Nova Scotia**  
[www.novascotiabusiness.com](http://www.novascotiabusiness.com)

**New Brunswick**  
[www.gnb.ca/nbfirstr](http://www.gnb.ca/nbfirstr)

